



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

October 7, 2008

Deborah Wallace
Assistant Superintendent/Vice-President Business Services
Antelope Valley Community College District
3041 West Avenue K
Lancaster, CA 93536-5426

Dear Ms. Wallace:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET03-0242 for the period February 3, 2003, through February 2, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo
Audit Director

Enclosures

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Antelope Valley Community College District

Agreement No. ET03-0242

Final Audit Report

For The Period

February 3, 2003 through February 2, 2005

Report Published October 7, 2008

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TABLE OF CONTENTS

	<u>Page Number</u>
AUDITOR'S REPORT	
Summary	1
Background	2
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials	3
Audit Appeal Rights	3
Records	4
SCHEDULE 1 - Summary Of Audit Results	5
FINDINGS AND RECOMMENDATIONS	6
<u>ATTACHMENTS</u>	
ATTACHMENT A - Appeal Process	
ATTACHMENT B - Table of Disallowed Trainees	

AUDITOR'S REPORT

Summary

We performed an audit of Antelope Valley Community College District's compliance with Agreement No. ET03-0242, for the period February 3, 2003, through February 2, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period March 5, 2007, through April 20, 2007.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$405,856. Our audit supported \$394,289 is allowable. The balance of \$11,567 is disallowed and must be returned to ETP. The disallowed costs resulted from five trainees who did not meet minimum wage requirements, five trainees who did not meet full-time employment requirements, three trainees whose training documentation did not support the minimum required training hours, and one trainee who did not meet retrainee eligibility requirements.

AUDITOR'S REPORT (continued)

Background

Established in 1929, Antelope Valley Community College District (AVC) was created to increase student access to four-year colleges and universities. The Contractor has since expanded from a student population of 200 to a diverse, multi-ethnic student population of over 13,000. AVC now provides vocational and technical training programs, courses for personal and professional development, and transfer programs for those matriculating to four-year schools. Located in Lancaster, California, AVC serves northern Los Angeles and eastern Kern Counties, as well as smaller communities, such as Acton, Lake Los Angeles, and Sun Village.

This Agreement is the third training project between ETP and AVC. This training project addressed aerospace, computer software, and composite manufacturing industries' shortage and loss of qualified workers to competition or retirement. Furthermore, due to strong out-of-state competition, workers in these industries must obtain advanced technology knowledge and skills for employers to effectively compete and comply with industry standards. AVC conducted assessments to determine employer and worker needs, and developed a training curriculum to maintain the employers' competitive edge and improve frontline worker skills. Based on these assessments, the training project provided Business, Computer, Continuous Improvement, Manufacturing, and Literacy Skills training.

This Agreement allowed Antelope Valley Community College District to receive a maximum reimbursement of \$748,098 for retraining 890 employees. During the Agreement term, the Contractor placed 565 trainees and was reimbursed \$405,856 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of AVC. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that AVC complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.

AUDITOR'S REPORT (continued)

- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion

As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$394,289 of the \$405,856 paid to the Contractor under this Agreement is allowable. The balance of \$11,567 is disallowed and must be returned to ETP.

Views of Responsible Officials

ETP Auditor held an informal exit conference on March 9, 2007, with Deborah Wallace, Vice President of Business Services, discussing Audit Finding No. 3. Subsequently, after several attempts to contact you during May 2007, ETP Auditor sent an e-mail on May 22, 2007, describing the remaining audit findings. A draft audit report was issued to the Contractor on September 5, 2008. The Contractor did not respond in writing to the draft audit report.

The issuance of your final audit report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning May 22, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$1,405.61, which was deducted from the total accrued interest.

AUDITOR'S REPORT (continued)

Audit Appeal Rights If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

Records Please note the ETP Agreement, Paragraph 5 a.1., requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: April 20, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET03-0242 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

AGREEMENT NO. ET03-0242

FOR THE PERIOD

FEBRUARY 3, 2003 THROUGH FEBRUARY 2, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 405,856</u>	
Disallowed Costs:		
Minimum Wage Requirement Not Met	6,116	Finding No. 1
Full-Time Employment Requirement Not Met	2,671	Finding No. 2
Insufficient Class/Lab Training Hours	1,668	Finding No. 3
Ineligible Trainee	<u>1,112</u>	Finding No. 4
Total Costs Disallowed	<u>\$ 11,567</u>	
Training Costs Allowed	<u><u>\$ 394,289</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Minimum Wage Requirement Not Met

Employment information received from Antelope Valley Community College District (AVC) and participating employers shows five trainees did not meet the minimum wage requirements specified in the Agreement. Therefore, we disallowed \$6,116 in training costs claimed for these trainees [(one Job No. 1 trainee x \$2,780) + (1 Job No. 3 trainee x \$1,112) + (1 Job No. 5 trainee x \$556) + (1 Job No. 7 trainee x \$556) + (1 Job No. 8 trainee x \$1,112)].

Exhibit A, Paragraph VII of the Agreement between AVC and ETP states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

The Agreement required trainees in Job Nos. 1, 3, and 5 meet the minimum wage requirement of \$10.98 in Kern County and \$11.92 in Los Angeles County. Job Nos. 7 and 8 were for Special Employment Training (SET) frontline workers earning at least the state average hourly wage of \$19.96 per hour. The Agreement allowed for the addition of health benefits to meet minimum wage requirements.

The table below shows the wage reported by AVC (inclusive of health benefits), required wage rate, actual wage provided by the employer, and employer-paid health benefits, if applicable. The employers for all trainees except Trainee No. 12 responded to our request for employment information. The actual wage rate shown for Trainee No. 12 is the base hourly wage reported by AVC as employer-paid health benefit documentation was not provided.

Trainee No.	Job No.	Reported Wage Rate	Required Wage Rate	Wage Rate Per Employer	Employer-Paid Health Benefits	Total Actual Wage Rate
2	8	\$19.96	\$19.96	\$17.17	\$0.72	\$17.89
4	7	\$20.00	\$19.96	\$16.90	\$0.72	\$17.62
6	3	\$11.34	\$11.92	\$11.09	-	\$11.09
11	5	\$11.10	\$11.92	\$10.83	-	\$10.83
12	1	\$12.98	\$10.98	n/a	n/a	\$10.00

Recommendation AVC must return \$6,116 to ETP. In the future, the Contractor should ensure trainees meet the minimum wage rate requirements with (or without) employer-paid health benefit costs prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Antelope Valley Community College District (AVC) received Full-Time reimbursement for 5 trainees who were not employed full-time during their post-training retention period per Agreement requirements. As a result, we disallowed \$2,671 in training costs claimed for these trainees [(2 Job No. 7 trainees x \$556) + (2 Job No. 7 trainees x \$390) + (1 Job No. 8 trainee x \$779)].
Employment Requirement Not Met

Exhibit A, Paragraph VII of the Agreement states, "Each trainee must be employed full-time, at least 35 hours per week with the Contractor or a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training. The retention period shall be completed no later than the last day of this Agreement."

Five trainees were not employed full-time during their post-training retention period. The schedule below shows the hourly wage rate, retention period, and average hours per week. The hourly wage rate for Trainee Nos. 7 through 10 were provided by AVC to ETP through on-line invoicing; while the participating employer provided the hourly wage rate for Trainee No. 5.

Trainee No.	Job No.	Hourly Wage Rate	Post-Training Retention Period	Average Hours Per Week
5	7	\$26.95	07/21/04 - 10/20/04	28.1
7	7	\$27.72	02/20/04 - 05/19/04	23.1
8	8	\$22.05	06/08/04 - 09/18/04	26.7
9	7	\$39.02	11/21/03 - 02/20/04	28.3
10	7	\$47.29	06/23/04 - 09/22/04	14.7

Based on the hourly wage rates identified, Employment Development Department (EDD) base wage information does not support these trainees were employed full-time during the identified retention period or any subsequent 90-day period up to the Agreement end date.

Recommendation AVC must return \$2,671 to ETP. In the future, AVC should ensure that trainees meet full-time employment requirements during their post-training retention period prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 3 – Antelope Valley Community College District (AVC) training documentation did not support the minimum training hours required for three trainees. As a result, we disallowed \$1,668 in class/lab training costs claimed for these trainees [(1 Job No. 3 trainee x \$1,112) + (1 Job No. 5 trainee x \$556)]. Trainee No. 6 was previously disallowed in Finding No. 1, thus no additional training costs are disallowed regarding this trainee.

Insufficient
Class/Lab Training
Hours

Title 22 California Code of Regulations (CCR), Section 4442(b) requires Contractors to maintain and make available records that clearly document all aspects of training. Classroom/laboratory training records must include the training date(s) and hours attended, training type, and the trainer and trainee's signatures.

Paragraph 2(b) of the Agreement between AVC and ETP states that "Each trainee should complete 100% of the required class/lab and videoconference training hours. The Panel will not reimburse the Contractor for a trainee who does not complete a minimum 80% of the required hours..."

AVC training records did not support the minimum required training hours for 3 trainees due to either missing training records or incomplete documentation of required training hours. Training hours attended by each trainee were less than 80 percent of the class/lab training hours required. The table below shows required training hours, audited training hours per training records, and the percentage of required training hours completed by trainee.

Trainee No.	Job No.	Required Training Hours	Audited Training Hours	Percent of Training Hours Attended
1	5	40	18	45%
3	3	80	48	60%
6	3	80	57	71%

Recommendation AVC must return \$1,668 to ETP. In the future, the Contractor should ensure that trainees attend the training hours required by the Agreement prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 4 – Employment information received from Antelope Valley Community College District (AVC) shows one Job No. 8 trainee was ineligible to receive training. The trainee did not meet retrainee eligibility requirements prior to the start date of training. We disallowed \$1,112 in training costs claimed for this trainee.

Unemployment Insurance Code, Section 10201(c) and Exhibit A, Paragraph III of the Agreement between ETP and AVC requires a trainee be employed full-time by the Contractor or a participating employer for a minimum of 90 days before the trainee begins training. Otherwise, to be eligible a trainee must have been employed at least 20 hours per week for at least 90 days by an eligible employer during the 180-day period preceding the trainee's hire date with the current employer.

AVC reported Trainee No. 13 was hired on August 4, 2003, and training records show the trainee began training on September 15, 2003. Employment Development Department (EDD) base wage information supports the Contractor reported hire date, and does not support other prior employment. Since the trainee's hire date is only 42 days prior to the start of training, Trainee No. 13 does not meet retrainee eligibility requirements.

Recommendation AVC must return \$1,112 to ETP. In the future, the Contractor should ensure that all retrainees meet eligibility requirements before beginning training.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006